

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Perrinton	County Gratiot
Fiscal Year End 2/28/2007	Opinion Date 6/14/2007	Date Audit Report Submitted to State 7/3/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	Zip 48823
		License Number 1101024055	

**Village of Perrinton
Gratiot County, Michigan**

FINANCIAL STATEMENTS

February 28, 2007

Village of Perrinton
Gratiot County, Michigan

February 28, 2007

VILLAGE COUNCIL AND ADMINISTRATION

Douglas Antes	President
Franklin Biddinger	Trustee
Kelly Neubauer	Trustee
Patricia Askegard	Trustee
Larry Blair	Trustee
William Knight	Trustee
Jason Blemaster	Trustee
Maxine Martin	Clerk
Barbara Helms	Treasurer

Village of Perrinton
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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Perrinton
Perrinton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Perrinton, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Perrinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Village of Perrinton, Michigan as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2007

Village of Perrinton

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Village of Perrinton's (the Village's) financial performance and position, providing an overview of the activities for the year ended February 28, 2007. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$1,143,954.
- Governmental activities net assets were \$793,279.
- Business-type activity net assets were \$350,675.

Fund Level:

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$388,278 with \$2,393 being reserved for specific purposes.
- The General Fund realized \$11,059 more in revenues than anticipated for the fiscal year. The General Fund operations and other financing uses expended \$9,480 more than appropriated.
- Overall, the General Fund fund balance increased by \$23,539 to \$207,261 with \$206,417 being undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued no debt for the year.
- The total long-term debt for the Village was \$185,000 with a net reduction of \$25,000 from the prior year.
- The total addition to the capital asset schedule for the Village was \$28,275, consisting primarily of fire station repairs and a generator.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), and *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds.

Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

Village of Perrinton

Management's Discussion and Analysis

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, fire protection, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water and Sewer Fund is an example of these activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- The contribution of capital assets used in governmental activities also results in capital assets on the government-wide statements but does not provide current financial resources, and therefore is not reported as revenue in the fund financial statements.

Fund Financial Statements (Reporting the Village's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Perrinton include the General Fund, the Major Street Fund, the Local Street Fund, the Fire Fund, and the Water and Sewer Fund. For the year ended February 28, 2007, the Village had no funds that were classified as nonmajor funds.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

Village of Perrinton

Management's Discussion and Analysis

- Governmental Funds** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- Proprietary Funds** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Water and Sewer Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

As previously stated, Village of Perrinton's combined net assets were \$1,178,675 at the end of this year's operations. The net assets of the governmental activities were \$791,465; the business type activities were \$387,210.

Summary of Net Assets:

The following summarizes the net assets as of February 28, 2007.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$407,563	\$398,451	\$47,347	\$63,360	\$454,910	\$461,811
Capital assets	405,001	416,324	498,832	541,805	903,833	958,129
Total assets	812,564	814,775	546,179	605,165	1,358,743	1,419,940
Liabilities						
Current	19,285	23,310	40,504	32,955	59,789	56,265
Noncurrent	-	-	155,000	185,000	155,000	185,000
Total liabilities	19,285	23,310	195,504	217,955	214,789	241,265

Village of Perrinton

Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Net Assets						
Invested in capital assets-						
net of related debt	\$405,001	\$416,324	\$313,832	\$331,805	\$718,833	\$748,129
Restricted	180,087	185,750	-	-	180,087	185,750
Unrestricted	208,191	189,391	36,843	55,405	245,034	244,796
Total net assets	\$793,279	\$791,465	\$350,675	\$387,210	\$1,143,954	\$1,178,675

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

Changes in Net Assets for the Fiscal Year Ending February 28, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenue:						
Charges for services	\$ 52,339	\$ 49,675	\$ 91,420	\$ 79,314	\$ 143,759	\$ 128,989
Operating grants and contributions	38,320	41,321	-	-	38,320	41,321
Capital grants and contributions	-	104,196	-	-	-	104,196
General revenues:						
Property taxes	50,343	46,259	-	-	50,343	46,259
State Revenue Sharing	42,573	43,267	-	-	42,573	43,267
Investment earnings	8,171	8,226	105	137	8,276	8,363
Miscellaneous	22,970	12,014	1,105	177	24,075	12,191
Total revenues	214,716	304,958	92,630	79,628	307,346	384,586
Expenses						
General government	75,765	79,805	-	-	75,765	79,805
Public safety	52,525	59,729	-	-	52,525	59,729
Public works	82,525	71,579	-	-	82,525	71,579
Recreation and cultural	2,087	2,797	-	-	2,087	2,797
Water and Sewer	-	-	129,165	113,958	129,165	113,958
Total expenses	212,902	213,910	129,165	113,958	342,067	327,868
Change in net assets	1,814	91,048	(36,535)	(34,330)	(34,721)	(56,718)
Net assets, beginning of year	791,465	702,281	387,210	369,399	1,178,675	1,071,680
Prior period adjustments	-	(1,864)	-	52,141	-	50,277
Net assets, end of year	\$ 793,279	\$ 791,465	\$ 350,675	\$ 387,210	\$ 1,143,954	\$ 1,178,675

Governmental Activities:

The result of 2007 governmental activity was an increase of \$1,814 in net assets to \$793,279. Of the total governmental activities' net assets, \$405,001 is invested in capital assets; \$180,087 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$208,191 is listed as unrestricted, having no legal commitment.

Village of Perrinton

Management's Discussion and Analysis

Revenues:

The three largest revenue categories were charges for services at 24%, property taxes at 23%, and State Revenue Sharing at 20%. The Village levied 10.5171 mills for general government operations, which is not assigned to any particular activity. Charges for services, which reimburse the Village for specific activities such as garbage collection, are the largest source of governmental activity revenue.

Expenses:

Public works was the largest activity this year, expending approximately 39% of the governmental activities total on areas such as garbage collection, road and street maintenance and improvements, the department of public works functions. General government is the second largest area, expending approximately 36% of the governmental activities total, and includes the financial administration and Village hall functions.

Business-type Activities:

Net assets in business-type activities decreased by \$36,535 during 2007. Of the business-type activities' net assets, \$313,802 is invested in capital assets less related debt. The balance of \$36,843 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR FUNDS

As the Village completed 2007, its governmental funds reported *combined* fund balances of \$375,141. This is a net decrease of \$11,403. The net changes for the governmental funds are summarized in the following chart:

	General Fund	Major Street Fund	Local Street Fund	Fire Fund
Fund Balance 2/28/07	\$ 207,261	\$ 96,245	\$ 83,842	\$ 930
Fund Balance 2/28/06	183,722	94,652	91,098	5,669
Net Change	\$ 23,539	\$ 1,593	\$(7,256)	\$(4,739)

General Fund:

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of February 28, 2007, the General Fund reported a fund balance of \$207,261. This amount is an increase of \$23,539 from the fund balance of \$183,722 reported as of February 28, 2006. The 2007 original budget called for a \$19,230 increase of fund balance. \$844 of fund balance is reported as reserved.

General Fund Budgetary Highlights:

The Village of Perrinton's budget is a dynamic document. Although adopted prior to March 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$140,319, \$11,059 over the final amended budget. The final amended budget was \$5,230 higher than the original budget and was about 8.5% different than the final actual amount.

The Village's expenditure budget was also increased by \$2,500 (2.4% above the original budget) during 2007. Actual Village expenditures and other financing uses for 2007 were \$9,480 over budget. General Fund actual expenditures and other financing uses came in at \$116,780 and the final budgeted amount was \$107,300, which was a 9% difference.

Village of Perrinton

Management's Discussion and Analysis

Major Street Fund:

As of February 28, 2007, the Major Street Fund reported a fund balance of \$96,245. \$209 of fund balance is reported as reserved. There were no material changes noted between the original and final amended budgeted revenues or expenditures.

Local Street Fund:

As of February 28, 2007, the Local Street Fund reported a fund balance of \$83,842. \$410 of fund balance is reported as reserved. During the year the budget was amended by increasing revenues and other sources by \$3,900 for additional transfers from other funds. The expenditures budget was also increased by \$4,000. Actual expenditures exceeded the appropriated amount by \$5,481.

Fire Fund:

As of February 28, 2007, the Fire Fund reported a fund balance of \$930. \$930 of fund balance is reported as reserved. There were no material changes noted between the original and final amended budgeted revenues or expenditures. Actual expenditures exceeded the appropriated amount by \$15,758.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of year 2007, the Village had invested \$903,833, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$1,438,807 for the Village. Depreciation charges for the fiscal year totaled \$82,571. Additional information related to capital assets is detailed in Note D of the Financial Statements. Net book value of capital assets at February 28, 2007 was as follows:

	Governmental Activities	Business- type Activities	Total
Land	\$ 142,548	\$ 35,706	\$ 178,254
Land improvements, net	-	-	-0-
Buildings and improvements, net	166,039	14,401	180,440
Machinery and equipment, net	88,164	4,400	92,564
Vehicles, net	8,250	-	8,250
Water and sewer systems, net	-	444,325	444,325
Capital assets, net	\$ 405,001	\$ 498,832	\$ 903,833

Long-term Debt - As of February 28, 2007, the Village had \$185,000 in debt outstanding. This level of net obligation is \$25,000 less than the obligation recorded as of February 28, 2006.

Outstanding Debt as of February 28, 2006:

	Mar. 1, 2006	Additions	Deletions	Feb. 28, 2007
Business-type Activities				
Water Supply Bonds	\$ 210,000	\$ -0-	\$ 25,000	\$ 185,000

A more detailed discussion of the Village's long-term debt obligations is presented in Note F to the financial statements.

Village of Perrinton Management's Discussion and Analysis

VILLAGE OF PERRINTON GOVERNMENT ECONOMIC OUTLOOK:

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been affected and any further cuts would affect the services that we provide to the citizens of the Village of Perrinton.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings have been on the rise.
- Utility costs are rising faster than the rate of inflation.

These and many other factors were considered in adopting the Budget for 2008. An increase of \$23,760 to the Village's fund balance was anticipated to balance the General Fund Budget, although it is estimated that the increase will be significantly lower. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE VILLAGE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at 118 S. Robinson Street, Perrinton, MI 48871.

BASIC FINANCIAL STATEMENTS

Village of Perrinton

STATEMENT OF NET ASSETS

February 28, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 279,597	\$ 35,006	\$ 314,603
Investments	10,051	-	10,051
Receivables	5,015	7,661	12,676
Due from other governmental units	7,105	-	7,105
Internal balances	(4,243)	4,243	-0-
Prepays	2,699	437	3,136
Total current assets	300,224	47,347	347,571
Noncurrent assets			
Investments	107,339	-	107,339
Capital assets not being depreciated	142,548	35,706	178,254
Capital assets, net of accumulated depreciation	262,453	463,126	725,579
Total noncurrent assets	512,340	498,832	1,011,172
TOTAL ASSETS	812,564	546,179	1,358,743
LIABILITIES			
Accounts payable	6,140	6,610	12,750
Accrued wages	3,691	-	3,691
Other accrued liabilities	1,863	3,098	4,961
Deferred revenue	7,591	796	8,387
Current portion of long-term debt	-	30,000	30,000
Total current liabilities	19,285	40,504	59,789
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	155,000	155,000
TOTAL LIABILITIES	19,285	195,504	214,789
NET ASSETS			
Invested in capital assets, net of related debt	405,001	313,832	718,833
Restricted for streets and highways	180,087	-	180,087
Unrestricted	208,191	36,843	245,034
TOTAL NET ASSETS	\$ 793,279	\$ 350,675	\$ 1,143,954

See accompanying notes to financial statements.

Village of Perrinton

STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities						
General government	\$ 75,765	\$ 5,873	\$ -	\$ (69,892)	\$ -	\$ (69,892)
Public safety	52,525	24,450	-	(28,075)	-	(28,075)
Public works	82,525	22,016	38,320	(22,189)	-	(22,189)
Recreation and cultural	2,087	-	-	(2,087)	-	(2,087)
Total governmental activities	212,902	52,339	38,320	(122,243)	-0-	(122,243)
Business-type activities						
Water and Sewer System	129,165	91,420	-	-	(37,745)	(37,745)
Total	<u>\$ 342,067</u>	<u>\$ 143,759</u>	<u>\$ 38,320</u>	(122,243)	(37,745)	(159,988)
General revenues						
Property taxes				50,343	-	50,343
State shared revenue				42,573	-	42,573
Investment earnings				8,171	105	8,276
Miscellaneous				22,970	1,105	24,075
Total general revenues				124,057	1,210	125,267
Change in net assets				1,814	(36,535)	(34,721)
Net assets, beginning of the year				791,465	387,210	1,178,675
Net assets, end of the year				<u>\$ 793,279</u>	<u>\$ 350,675</u>	<u>\$ 1,143,954</u>

See accompanying notes to financial statements.

Village of Perrinton

GOVERNMENTAL FUNDS BALANCE SHEET

February 28, 2007

	General	Major Street
ASSETS		
Cash and cash equivalents	\$ 104,567	\$ 80,833
Investments	107,434	9,956
Receivables		
Accounts	1,507	-
Taxes	3,508	-
Due from other governmental units	-	5,247
Prepays	844	209
TOTAL ASSETS	<u>\$ 217,860</u>	<u>\$ 96,245</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 4,708	\$ -
Accrued wages	3,691	-
Other accrued liabilities	1,863	-
Deferred revenue	337	-
Due to other funds	-	-
TOTAL LIABILITIES	10,599	-0-
FUND BALANCES		
Reserved for prepaids	844	209
Unreserved		
Undesignated, reported in		
General fund	206,417	-
Special revenue funds	-	96,036
TOTAL FUND BALANCES	<u>207,261</u>	<u>96,245</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 217,860</u>	<u>\$ 96,245</u>

See accompanying notes to financial statements.

Local Street	Fire	Total Governmental Funds
\$ 81,574	\$ 12,623	\$ 279,597
-	-	117,390
-	-	1,507
-	-	3,508
1,858	-	7,105
410	1,236	2,699
<u>\$ 83,842</u>	<u>\$ 13,859</u>	<u>\$ 411,806</u>
\$ -	\$ 1,432	\$ 6,140
-	-	3,691
-	-	1,863
-	7,254	7,591
-	4,243	4,243
-0-	12,929	23,528
410	930	2,393
-	-	206,417
83,432	-	179,468
<u>83,842</u>	<u>930</u>	<u>388,278</u>
<u>\$ 83,842</u>	<u>\$ 13,859</u>	<u>\$ 411,806</u>

Village of Perrinton

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

February 28, 2007

Total fund balance - governmental funds \$ 388,278

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 913,585
Accumulated depreciation is	<u>(508,584)</u>

Capital assets, net	<u>405,001</u>
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Net assets of governmental activities	<u><u>\$ 793,279</u></u>
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See accompanying notes to financial statements.

Village of Perrinton

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended February 28, 2007

	General	Major Street
REVENUES		
Taxes	\$ 50,343	\$ -
Licenses and permits	20	-
Intergovernmental	44,362	28,808
Charges for services	18,430	-
Interest and rents	17,146	325
Other	10,018	-
TOTAL REVENUES	140,319	29,133
EXPENDITURES		
Current		
General government	68,474	-
Public safety	500	-
Public works	36,491	20,338
Recreation and cultural	1,493	-
Capital outlay	822	-
TOTAL EXPENDITURES	107,780	20,338
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,539	8,795
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(9,000)	(7,202)
TOTAL OTHER FINANCING SOURCES (USES)	(9,000)	(7,202)
NET CHANGE IN FUND BALANCES	23,539	1,593
Fund balances, beginning of year	183,722	94,652
Fund balances, end of year	\$ 207,261	\$ 96,245

See accompanying notes to financial statements.

Local Street	Fire	Total Governmental Funds
\$ -	\$ -	\$ 50,343
-	-	20
10,197	-	83,367
-	24,450	42,880
108	31	17,610
-	10,478	20,496
10,305	34,959	214,716
-	-	68,474
-	22,418	22,918
24,763	-	81,592
-	-	1,493
-	26,280	27,102
24,763	48,698	201,579
(14,458)	(13,739)	13,137
7,202	9,000	16,202
-	-	(16,202)
7,202	9,000	-0-
(7,256)	(4,739)	13,137
91,098	5,669	375,141
\$ 83,842	\$ 930	\$ 388,278

Village of Perrinton

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

Net change in fund balances - total governmental funds \$ 13,137

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 28,275	
Depreciation expense	<u>(39,598)</u>	
Excess of depreciation expense over capital outlay		<u>(11,323)</u>
Change in net assets of governmental activities		<u><u>\$ 1,814</u></u>

See accompanying notes to financial statements.

Village of Perrinton

STATEMENT OF NET ASSETS - PROPRIETARY FUND

February 28, 2007

	Business-type Activities Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 35,006
Accounts receivable	7,661
Prepays	437
Due from other funds	<u>4,243</u>
Total current assets	47,347
Noncurrent assets	
Capital assets not being depreciated	35,706
Capital assets, net	<u>463,126</u>
Total noncurrent assets	<u>498,832</u>
TOTAL ASSETS	546,179
LIABILITIES	
Current liabilities	
Accounts payable	6,610
Customer deposits	312
Accrued interest payable	2,786
Deferred revenue	796
Current portion of notes payable	<u>30,000</u>
Total current liabilities	40,504
Noncurrent liabilities	
Notes payable	<u>155,000</u>
TOTAL LIABILITIES	<u>195,504</u>
NET ASSETS	
Invested in capital assets, net of related debt	313,832
Unrestricted	<u>36,843</u>
TOTAL NET ASSETS	<u>\$ 350,675</u>

See accompanying notes to financial statements.

Village of Perrinton

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND

Year Ended February 28, 2007

	Business-type Activities Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 82,454
Other	
Equipment rent	8,966
Other	1,105
TOTAL OPERATING REVENUES	92,525
OPERATING EXPENSES	
Salaries and wages	24,022
Fringe benefits	4,625
Contractual services	6,888
Utilities	17,977
Telephone	3,526
Supplies	12,877
Insurance	2,731
Repairs and maintenance	4,041
Other	710
Depreciation	42,973
TOTAL OPERATING EXPENSES	120,370
OPERATING (LOSS)	(27,845)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	105
Interest expense	(8,520)
Paying agent fees	(275)
TOTAL NONOPERATING REVENUES (EXPENSES)	(8,690)
CHANGE IN NET ASSETS	(36,535)
Net assets, beginning of year	387,210
Net assets, end of year	\$ 350,675

See accompanying notes to financial statements.

Village of Perrinton

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended February 28, 2007

	Business-type Activities Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 88,365
Cash receipts from other funds	4,723
Cash paid to suppliers	(46,686)
Cash paid for employee benefits	(4,625)
Cash paid to employees	(24,022)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,755
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest and fiscal charges	(9,120)
Payments of borrowing	(25,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(34,120)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	105
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,260)
Cash and cash equivalents, beginning of year	51,266
Cash and cash equivalents, end of year	\$ 35,006
Reconciliation of operating (loss) to net cash provided by operating activities	
Operating (loss)	\$ (27,845)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	42,973
Decrease in accounts receivable	4,010
(Increase) in prepaids	(14)
(Increase) in due from other funds	(4,243)
Increase in accounts payable	2,078
Increase in deferred revenue	796
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 17,755

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Perrinton is located in Gratiot County, Michigan and has a population of approximately 435. The Village of Perrinton operates with a Village President/Council form of government and provides services to its residents in many areas including general government, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President, Clerk, Treasurer, and six (6) trustees who are selected at large for overlapping four year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Perrinton. The Village has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the basic financial statements of the Village of Perrinton contain all the funds controlled by the Village Council.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's local streets.
- d. The Fire Fund is used to account for the financial resources that are used for fire protection.
- e. The Water and Sewer Fund accounts for resources generated by providing sewer services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

3. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Clerk submits to the Village Council the proposed operating budgets for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to March 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and the Special Revenue Funds.
- e. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at February 28, 2007 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are temporary investments that consist of various money market checking accounts. The cash and cash equivalents are recorded at market value.

Investments include U.S. Government Securities and certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

7. Property Tax

The Village of Perrinton bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Property Tax - continued

Property taxes are levied by the Village of Perrinton on July 1 and are payable without penalty through September 15. All real property taxes not paid to the Village by September 15 are turned over to the Gratiot County Treasurer for collection. The Gratiot County Treasurer remits payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 12.5 mills (approximately \$12.50 per \$1,000 of assessed valuation) for general governmental services. For the year ended February 28, 2007, the Village levied 10.5171 mills for general governmental services. The total taxable value for the 2006 levy for property within the Village was \$4,686,091.

8. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers.

The General Fund and Water and Sewer Fund record charges for equipment rental and administrative costs to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

9. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 40 years
Vehicles	5 years
Machinery and equipment	5 - 20 years
Water and sewer systems	5 - 40 years

10. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of February 28, 2007, the carrying amount of the Village's deposits was \$279,457 and the bank balance was \$279,817, of which \$200,000 was covered by federal depository insurance. The remaining balance of \$79,817 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Village of Perrinton

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments

As of February 28, 2007, the market values, which are the carrying values for each investment, are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Money market funds	\$ 45,102	\$ 45,102	N/A	N/A
Federal Home Loan Mortgage	75,724	75,724	Aaa	12.7 years
Federal National Mortgage Association	27,337	27,337	Aaa	26.5 years
Government National Mortgage Association	<u>4,373</u>	<u>4,373</u>	Aaa	14.4 years
TOTAL REPORTING ENTITY	<u>\$ 152,536</u>	<u>\$ 152,536</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's).

Interest rate risk

The Village has not adopted a policy that indicates how the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Village has not adopted a policy that indicates how the Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of February 28, 2007:

Cash and cash equivalents	\$ 314,603
Investments - current	10,051
Investments - noncurrent	<u>107,339</u>
	<u>\$ 431,993</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at February 28, 2007, are as follows:

Due to Water and Sewer Fund from:	
Fire Fund	<u>\$ 4,243</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Village of Perrinton

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Local Street Fund from:	
Major Street Fund	<u>\$ 7,202</u>
Transfers to Fire Fund from:	
General Fund	<u>\$ 9,000</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007 was as follows:

Governmental activities

	<u>Balance</u> <u>Mar. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Feb. 28, 2007</u>
Capital assets not being depreciated:				
Land	\$ 142,548	\$ -	\$ -	\$ 142,548
Capital assets being depreciated:				
Land improvements	76,047	-	-	76,047
Buildings and improvements	240,436	15,703	(11,874)	244,265
Vehicles	225,601	-	-	225,601
Machinery and equipment	<u>217,102</u>	<u>12,572</u>	<u>(4,550)</u>	<u>225,124</u>
Subtotal	759,186	28,275	(16,424)	771,037
Less accumulated depreciation for:				
Land improvements	(76,047)	-	-	(76,047)
Buildings and improvements	(81,539)	(8,561)	11,874	(78,226)
Vehicles	(212,696)	(4,655)	-	(217,351)
Machinery and equipment	<u>(115,128)</u>	<u>(26,382)</u>	<u>4,550</u>	<u>(136,960)</u>
Subtotal	<u>(485,410)</u>	<u>(39,598)</u>	<u>16,424</u>	<u>(508,584)</u>
Net capital assets being depreciated	<u>273,776</u>	<u>(11,323)</u>	<u>-0-</u>	<u>262,453</u>
Total Net Capital Assets	<u>\$ 416,324</u>	<u>\$ (11,323)</u>	<u>\$ -0-</u>	<u>\$ 405,001</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 7,291
Public safety	29,607
Public works	2,106
Recreation and cultural	<u>594</u>
Total depreciation expense	<u>\$ 39,598</u>

Village of Perrinton

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

Business-type activities

	Balance Mar. 1, 2006	Additions	Deletions	Balance Feb. 28, 2007
Capital assets not being depreciated:				
Land	\$ 35,706	\$ -	\$ -	\$ 35,706
Capital assets being depreciated:				
Buildings and improvements	30,783	-	-	30,783
System and mains	1,183,493	-	-	1,183,493
Machinery and equipment	168,348	-	-	168,348
Vehicles	<u>10,725</u>	<u>-</u>	<u>-</u>	<u>10,725</u>
Subtotal	1,393,349	-0-	-0-	1,393,349
Less accumulated depreciation for:				
Buildings and improvements	(15,129)	(1,253)	-	(16,382)
System and mains	(698,338)	(40,830)	-	(739,168)
Machinery and equipment	(163,058)	(890)	-	(163,948)
Vehicles	<u>(10,725)</u>	<u>-</u>	<u>-</u>	<u>(10,725)</u>
Subtotal	<u>(887,250)</u>	<u>(42,973)</u>	<u>-0-</u>	<u>(930,223)</u>
Total capital assets being depreciated	<u>506,099</u>	<u>(42,973)</u>	<u>-0-</u>	<u>463,126</u>
Total net capital assets	<u>\$ 541,805</u>	<u>\$ (42,973)</u>	<u>\$ -0-</u>	<u>\$ 498,832</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended February 28, 2007:

	Balance Mar. 1, 2006	Additions	Deletions	Balance Feb. 28, 2007	Amounts Due Within One Year
Business-type activities					
2002 Water Supply Bonds	\$ 210,000	\$ -	\$ 25,000	\$ 185,000	\$ 30,000

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Water Supply and Distribution System Revenue Refunding Bonds

\$285,000 Water Supply Bonds dated January 1, 2002, due in annual installments ranging from \$30,000 to \$35,000 through May 1, 2012, with interest of 4.10 to 4.85 percent, payable semi-annually.

\$ 185,000

Village of Perrinton

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 30,000	\$ 7,743	\$ 37,743
2009	30,000	6,483	36,483
2010	30,000	5,163	35,163
2011	30,000	3,798	33,798
2012	30,000	2,403	32,403
2013	<u>35,000</u>	<u>848</u>	<u>35,848</u>
	<u>\$ 185,000</u>	<u>\$ 26,438</u>	<u>\$ 211,438</u>

NOTE G: RETIREMENT PLAN

Plan Description

The Village participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Covered employees contribute 3% of their annual salary to the retirement system. The Village is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended February 28, 2007, the Village's annual pension cost of \$810 for the plan was equal to the Village's required and actual contribution. The annual estimated contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining unfunded actuarial liability is being amortized over thirty (30) years.

Three (3) year trend information

	<u>Year Ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 19,781	\$ 22,507	\$ 24,986
Actuarial accrued liability (AAL) (entry age)	6,237	11,345	15,018
Unfunded AAL	(13,544)	(11,162)	(9,968)
Funded ratio	317 %	198 %	166 %
Covered payroll	29,605	31,324	31,435
UAAL as a percentage of covered payroll	- %	- %	- %

Village of Perrinton

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE G: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended February 28/29,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ -	\$ -	\$ 810
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

NOTE H: RISK MANAGEMENT

The Village carries commercial insurance for the risk of loss due to workers' compensation claims.

The Village participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, automobile, and crime losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information to the financial statements, the Village's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the Special Revenue Funds.

During the year ended February 28, 2007, the Village incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Legislative	\$ 5,200	\$ 6,063	\$ 863
Executive	5,550	5,934	384
Financial administration	19,500	23,822	4,322
Elections	-	138	138
Public works			
Highways and streets	7,400	7,879	479
Sanitation	26,500	28,612	2,112
Recreation and cultural			
Parks and recreation	800	1,493	693
Capital Outlay	-	822	822
Other financing uses			
Transfer out	-	9,000	9,000

Village of Perrinton

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

Major Street Fund			
Public Works	\$ 15,925	\$ 20,338	\$ 4,413
Other financing uses			
Transfer out	7,100	7,202	102
Local Street Fund			
Public works	19,282	24,763	5,481
Fire Fund			
Public safety	20,940	40,898	19,958

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

Governmental Funds	
General Fund	
Reserved for prepaids	<u>\$ 844</u>
Major Street Fund	
Reserved for prepaids	<u>\$ 209</u>
Local Street Fund	
Reserved for prepaids	<u>\$ 410</u>
Fire Fund	
Reserved for prepaids	<u>\$ 930</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source (bond ordinance, etc.) which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of February 28, 2007:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for streets and highways	<u>\$ 180,087</u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Perrinton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 48,000	\$ 50,030	\$ 50,343	\$ 313
Licenses and permits	20	20	20	-0-
Intergovernmental	40,000	45,000	44,362	(638)
Charges for services	16,850	16,850	18,430	1,580
Interest and rents	18,860	17,060	17,146	86
Other	300	300	10,018	9,718
TOTAL REVENUES	124,030	129,260	140,319	11,059
EXPENDITURES				
General government				
Legislative	5,200	5,200	6,063	(863)
Executive	5,550	5,550	5,934	(384)
Financial administration	19,500	19,500	23,822	(4,322)
Elections	-	-	138	(138)
Halls and grounds	41,850	41,850	32,517	9,333
Total general government	72,100	72,100	68,474	3,626
Public safety				
Fire department	500	500	500	-0-
Public works				
Highways and streets	7,400	7,400	7,879	(479)
Sanitation	24,000	26,500	28,612	(2,112)
Total public works	31,400	33,900	36,491	(2,591)
Recreation and cultural				
Parks and recreation	800	800	1,493	(693)
Capital outlay	-	-	822	(822)
TOTAL EXPENDITURES	104,800	107,300	107,780	(480)
EXCESS OF REVENUES OVER EXPENDITURES	19,230	21,960	32,539	10,579
OTHER FINANCING USES				
Transfer out	-	-	(9,000)	(9,000)
NET CHANGE IN FUND BALANCE	19,230	21,960	23,539	1,579
Fund balance, beginning of year	183,722	183,722	183,722	-0-
Fund balance, end of year	\$ 202,952	\$ 205,682	\$ 207,261	\$ 1,579

Village of Perrinton

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - State	\$ 26,000	\$ 26,000	\$ 28,808	\$ 2,808
Interest	500	500	325	(175)
Other	50	50	-	(50)
TOTAL REVENUES	26,550	26,550	29,133	2,583
EXPENDITURES				
Public works	15,925	15,925	20,338	(4,413)
EXCESS OF REVENUES OVER EXPENDITURES	10,625	10,625	8,795	(1,830)
OTHER FINANCING USES				
Transfer out	(7,100)	(7,100)	(7,202)	(102)
NET CHANGE IN FUND BALANCE	3,525	3,525	1,593	(1,932)
Fund balance, beginning of year	94,652	94,652	94,652	-0-
Fund balance, end of year	<u>\$ 98,177</u>	<u>\$ 98,177</u>	<u>\$ 96,245</u>	<u>\$ (1,932)</u>

Village of Perrinton

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State	\$ 10,000	\$ 10,000	\$ 10,197	\$ 197
Interest	75	75	108	33
TOTAL REVENUES	10,075	10,075	10,305	230
EXPENDITURES				
Public works	15,282	19,282	24,763	(5,481)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(5,207)	(9,207)	(14,458)	(5,251)
OTHER FINANCING SOURCES				
Transfer in	7,100	11,000	7,202	(3,798)
NET CHANGE IN FUND BALANCE	1,893	1,793	(7,256)	(9,049)
Fund balance, beginning of year	91,098	91,098	91,098	-0-
Fund balance, end of year	<u>\$ 92,991</u>	<u>\$ 92,891</u>	<u>\$ 83,842</u>	<u>\$ (9,049)</u>

Village of Perrinton

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 24,450	\$ 24,450	\$ 24,450	\$ -0-
Interest	100	100	31	(69)
Other	-	-	10,478	10,478
TOTAL REVENUES	24,550	24,550	34,959	10,409
EXPENDITURES				
Public safety	20,940	20,940	22,418	(1,478)
Capital outlay	12,000	12,000	26,280	(14,280)
TOTAL EXPENDITURES	32,940	32,940	48,698	(15,758)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,390)	(8,390)	(13,739)	(5,349)
OTHER FINANCING SOURCES				
Transfer in	18,000	18,000	9,000	(9,000)
NET CHANGE IN FUND BALANCE	9,610	9,610	(4,739)	(14,349)
Fund balance, beginning of year	5,669	5,669	5,669	-0-
Fund balance, end of year	<u>\$ 15,279</u>	<u>\$ 15,279</u>	<u>\$ 930</u>	<u>\$ (14,349)</u>

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Perrinton
Perrinton, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Village of Perrinton, Michigan for the year ended February 28, 2007. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control structure and our discussions with management.

1. The Village should research the formation of the Fire Department.

During the course of our audit it was noted that the Fire Department operates under its own employer identification number (EIN). As a result, certain financial activities related to the Fire Department have not been recorded in the Village's general ledger and have not been included in the audited financial statements of the Village. This issue was noted and reported in our audit comments last year.

The Village/Department should research documentation related to the creation/organization of the Fire Department to determine its status with regards to Federal income taxation and audit requirements. The type of organization (i.e., governmental entity, non-profit organization, for-profit organization) will dictate how to account for future transactions of the Department.

2. The Council should implement various written procedures and policies.

Based on our discussions with management, we noted that the Village Council has not formally adopted written procedures and policies for several areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible. Specifically, we suggest that the Council develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Disaster recovery plan - We suggest the Council adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Village and detail how the Village would continue to operate in the absence of those critical areas of operation.
- b. Code of conduct - We suggest the Council adopt a code of conduct. The code should include a policy on conflicts of interest and the Council should require employees and Council members to periodically make a declaration of compliance.

These written conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated June 14, 2007.

This report is intended solely for the use of management and the Village Council of the Village of Perrinton, Michigan and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2007

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
Village of Perrinton
Perrinton, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Perrinton, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Perrinton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

WRITTEN PROCEDURES AND POLICIES

Based on our discussions with management, we noted that the Village Council has not formally adopted written procedures and policies for areas of operation that directly or indirectly affect financial reporting. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible. This issue was noted and reported in our audit comments last year.

WRITTEN PROCEDURES AND POLICIES - CONTINUED

Specifically, we recommend that the Council develop, formally adopt, and implement written procedures and policies affecting the financial reporting process in the following areas:

- a. Capital asset policy - We recommend the Council adopt a capital asset policy which establishes a threshold for defining capital assets and the methods for acquiring and disposing of capital assets.
- b. Fraud risk assessment - We recommend Council perform a fraud risk assessment and consider additional segregations of duties or greater internal controls as a result of assessed problem areas.

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Village rests with the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Village of Perrinton. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Village's annual financial statements and notes to the financial statements in accordance with GAAP. The Village relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Village consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

BUDGETS

As noted in the financial statements, some of the activities and funds of the Village exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds. This issue was noted and reported in our audit comments last year.

Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

FORMAL POLICIES REQUIRED BY MICHIGAN COMPILED LAW

Based on our discussions with management, we noted that the Village Council has not formally adopted written procedures and policies for areas of operation as required by Michigan Compiled Law. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible and remain in compliance with State laws. This issue was noted and reported in our audit comments last year.

Specifically, we suggest that the Council develop, formally adopt, and implement written procedures and policies affecting compliance with Michigan Compiled Law in the following areas:

- a. Investment policy - The specific criteria for an investment policy are detailed in Public Act 20 of 1943, as amended. We recommend the Council adopt a formal investment policy that complies with the compiled law. Such formal adoption should be documented in the minutes to the Council meeting. The policy should address the issues of authorized investments, custodial credit risk, concentration of credit risk, and interest rate risk.
- b. Electronic funds transfer policy - Electronic payments of public funds are required for some federally mandated transactions of public funds, and electronic payments have become a commonly accepted practice by bank and other financial institutions. Public Act 738 of 2002 became effective December 30, 2002, and authorizes governments to make electronic transactions involving public funds by electronic payment, debit, or credit transfer processed through an automated clearing house. We recommend the Council adopt an electronic funds transfer policy as required by Public Act 738 of 2002.

We noted certain matters that we reported to the management of the Village of Perrinton in a separate letter dated June 14, 2007.

This report is intended solely for the information and use of management and Members of the Village Council of the Village of Perrinton, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 14, 2007